AUTOMOTIVE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVE			
1	Fila Motorcraft oil filter	141,049	4.19	590,995
2	Sealed beam, large square, 6052	71,755	7.99	573,322
3	8-oz Armor All Protector	140,039	2.99	418,716
4	Snowhite Lit' N' Easy, gal, 3431	29,019	13.99	405,975
5	Auto bulbs, 2 on a card, 1157	369,603	1.09	403,085
6	Sealed beam, large round	121,570	3.29	399,965
7	Raindance paste (appl, pkg), 14 oz	54,988	7.19	395,363
8	16 oz Armor All Protector	61,092	6.19	378,159
9	Sealed beam, low square, 4652	75,384	4.99	376,166
10	Gumout jet spray, 13 oz 7450	154,938	2.39	370,301
11	2 ton hydraulic floor jack	6,817	54.29	370,094
12	Air compressor with gauge	14,846	22.99	341,309
13	2 ton mini hydraulic floor jack	7,520	44.99	338,324
14	Turtle Wax super hard shell paste, 14 oz	82,450	3.99	328,975
15	Halogen sealed beam, large square, H 6054	15,197	19.99	303,788
16	Quartz Halogen fog light kit, amber	9,282	29.99	278,367
17	Oil treatment, 15 oz	117,495	2.29	269,063
18	Raindance liquid (appl. pckg), 16 oz	35,256	7.19	253,490
19	AC spark plugs R45TS-8BP	17,665	12.09	215,987
20	Westl Bleche Wite liquid, 20 oz	98,105	2.19	214,849
21	Gumout carburator cleaner, 12 oz	111,468	1.89	210,674
22	Window film kit, smoke 20" x 10"	22,338	8.99	200,818
23	Freon 14 oz, 1001	155,126	1.29	200,112
24	Gunk Engine Brite, aerosol 20 oz	89,636	2.19	196,302
25	Chamois, 2½ sq ft	32,097	5.99	192,261
26	AC oil filters, PF-47	46,524	3.99	185,630
27	Roberk 16" wiper blade refill	83,827	2.19	183,581
28	Armor All Protector, 32 oz	20,115	8.99	180,833
29	Turtle Zip wax liquid car wash, 18 oz	71,998	2.39	172,075
30	Warco Dot brake fluid, qt, 1002	44,221	3.89	172,019
31	Lee oil filter, LF-1	49,128	3.49	171,456
32	AC oil filters, PF-25	42,342	3.99	168,944
33	Quartz halogen driving light kit, clear	5,628	29.99	168,783
34	WD-40 aerosol, 9 oz	64,563	2.59	167,218
35	Armor All Protector, 4 oz	92,285	1.69	155,963

(Continued on page 29)

Over 5,000 "instant winner" prizes in the Phillips 66 Trop-Artic Motor Oil Black & Decker "Clean Machine" Instant Winner Game.

And the prizes are the gold standard for DIYers—Black & Decker tools—including Car Care Kits (with Car Vac™ Car Scrubber, Car Lite and Inflator) and hundreds of other Black & Decker tools and cash prizes of up to $1,000.00.

Your customers' opportunity to win comes wrapped in fast-moving 12-quart packages of Trop-Artic 10W-40/10W-30 and SAE 30 motor oil. We'll sell it hard in an 8-week radio schedule March 10–May 4th, and with 3-page full color inserts in TV Guide during the same period.

Save over $4,000 a truckload.

You can start cleaning up sooner than that. On each 12-quart package you get $1.15 for stocking up. 50¢ on full truckloads of promotional product. 18¢ if you pick up at the packaging location and 60¢ or 75¢ if more than one viscosity is featured, when you advertise with pre-approved Phillips advertising. Total—over $4,000 a truckload.

So stock up. Because this should have your customers buying through the Trop-Artic stock like hot saws.

Order Period: February 1–April 1
Retailer Advertising Period: February 15–June 15
Retailer Advertising Claim Due by June 30
Consumer Offer Ends: June 30

For more information, contact your local Phillips Petroleum Company Sales Representative. For Paid Shipper, If Phillips Petroleum Company, 4C Phillips Building, Bartlesville, OK 74004. (918) 661-6602. For Black & Decker sales information, contact Doug Coplen at [illegible]

PHILLIPS 66

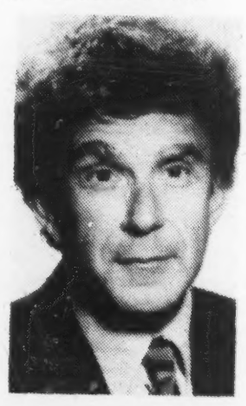
Trop-Artic. It's time for a change.

Here's a promotion that'll really help you clean up.

Winners

Retailers Limiting Supplies

By HERB RECHTER
President, Allied Auto Parts and Auto Accessories



Retailers are looking more and more to wholesalers for their supplies. They are not very confident about the coming year and rather than buy boxcar loads of goods direct from manufacturers, they prefer to buy smaller quantities more often.

Even though interest rates are lower than they were a year ago, retailers are still very careful in limiting their long-term outlays.

I expect 1986 to be a comfortable year for discounters in automotives, with no big growth.

This lack of excitement and growth is also caused by the absence of any new products.

The biggest gainers this year will be the accessories. Items like the third brake light, a federal requirement for all 1986 cars, will be doing well. The Cyclops light, with an average retail price of $18.99, shows up in our Product Movement Audit (PMA) for the first time, although it is still fairly low in the ranking, at No. 90.

Biggest decreases will be in the field of ignition parts. This area is dying out, since more and more cars are equipped with electronic ignition systems. The sharp declines in sales of points and condensers last year will continue.

Over the past year, prices have remained stable. I expect to see only moderate price increases this year.

Imported visors and interior accessories are becoming a more important part of our business. They increasingly are making up for losses in other areas.

Another shift taking place is that people are upgrading their buying habits. They look for better grades of the same products. In accessories, that means an increasing demand for designer goods.

The Motorcraft oil filter has always been among the top sellers; it occupies the No. 1 position in our PMA for the first time this year.

In addition to increased sales for oil filters, other do-it-yourself car care items are doing well, an indication that people are taking better care of their vehicles and are increasingly bypassing expen-

(Continued on page 29)

AUTOMOTIVE

Retailers Buying Cautiously

(Continued from page 28)

sive repair and maintenance facilities.

Examples of items in this category include the bulbs (two on a card at an average retail price of $1.09); they moved into the No. 5 position, up from the middle teens in previous studies. AC spark plugs ($12.09 for a set) showed similar movement, up from places in the 40's and 30's in previous PMAs to 19th position in this study.

Waxes and cleaners remain strong sellers, taking half the top 10 spots in our ratings. The 8-oz. Armor All Protector, at an average price of $2.99, was the top seller in this category.

Compared to last year's Spring Car Care Buy-In study, the volume of items sold during the February-November 1985 period is much lower than the volume for the same months a year earlier.

Discount Auto Sales Seen Flat

(Continued from page 27)

buyer Chad Farthing, "We moved all the truck items from gondolas up onto a wall." They are currently trying to figure out how to adapt that system to other stores. Meanwhile, said Farthing, "We have truck displays in all the stores, and we are stocking deeper in items like reflector shields that are doing well."

Gold Circle is yet another example of a chain trying to hook up with the growing public interest in pickup trucks. Buyer Cheah said that he had increased the area from 16 to 20 ft. stocking especially tool boxes, floor mats and running boards.

In waxes and other exterior care products, buyers say, the trend is back to basics. Fred Caligiure at Glosser has trimmed his assortment of waxes over the past several years, a trend he expects to continue in 1986. "Last year, I cut from two polys to only one," he said. Yet, he expects sales of waxes to keep rising, albeit more slowly. "In 1984, we had a 24% increase; in 1985, it was 15%," he added.

At another East Coast chain, a buyer said, "The times of the high priced waxes are over." This store has basic waxes from $1.99 to $3.99. The only way a more expensive product will sell, according to this buyer, "is through the use of magazine coupons, or if the manufacturer gives 50¢ to $1 rebates right on the package."

Buyers said that accessories for interiors will remain steady with little new.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	AUTOMOTIVE			
	(Continued from page 28)			
36	Roberk 18" wiper blade refill	70,415	2.19	154,208
37	Snap Fix-a-Flat, 12 oz	109,368	1.39	152,021
38	Air-conditioner recharge kit with freon	21,174	6.89	145,888
39	J-Wax kit, presoft paste wax, 12 oz	34,484	4.19	144,487
40	100 QR Rislone oil alloy, 32 oz	51,685	2.79	144,201
41	One piece auto ramp, pair	6,555	21.99	144,144
42	Pylon 16" wiper refills, 1016	65,645	2.19	143,762
43	3,000 lb jack stand, each	26,086	5.49	143,212
44	Prestone heavy duty brake fluid, 12 oz	71,948	1.99	143,176
45	Roberk 16" wiper blades	64,574	2.19	141,417
46	FL400 Motorcraft oil filter	29,660	4.69	139,105
47	Halogen sealed beam, low square, H 4656	12,329	10.99	135,495
48	Champion spark plug RV15YC4BP8 (RBL15Y4)	10,953	12.09	132,421
49	Antenna spring with booster, 45"	14,726	8.99	132,386
50	Pylon 18" wiper refills, 1018	60,403	2.19	132,282
51	Window film kit, smoke 20"x5'	27,451	4.79	131,490
52	Warco Dot brake fluid, 12 oz, 1001	87,239	1.49	129,986
53	15" wire wheel cover, each	6,649	18.99	126,264
54	Auto bulbs, 2 on a card, 194	113,053	1.09	123,227
55	CD-2 oil detergent, black label	51,450	2.39	122,965
56	Auto bulbs, 2 on a card, 1157NA	77,306	1.59	122,916
57	Lee oil filter, LF-25	31,330	3.89	121,873
58	Multiservice grease, 14½ oz	87,267	1.39	121,301
59	Snowite Lite-N-EZ kit, qt, 3305	24,309	4.99	121,301
60	C-16 Bars leak, 12 oz (80)	55,088	2.19	120,642
61	Lee oil filter, LF-40	29,987	3.99	119,648
62	Super Hard Shell liquid, 12 oz	38,831	2.99	116,104
63	Prestone Super Flush, 22 oz	35,160	3.29	115,676
64	6 amp battery charger, SE 86	3,853	29.99	115,551
65	AC oil filters, PF-35	28,881	3.99	115,235
66	E43Z-12A297A DY425 module	1,567	68.83	114,747
67	DL hand cleaner, blue label, 14 oz	88,292	1.29	113,896
68	Roberk 18" wiper blades	51,981	2.19	113,838
69	Top Post HD terminal, 1/CD, B101BP	114,266	0.99	113,123
70	AC spark plugs, R45TS TB8	9,352	12.09	113,065
71	Blue poly paste sealant, 16 oz	11,270	9.99	112,587
72	Turtle Minute wax, 18 oz	18,789	5.99	112,546
73	Chamois, 4½ sq ft	12,386	8.99	111,350
74	14" wire wheel cover, each	5,793	18.99	110,009
75	Westl Bleche-Wite-Liquid, 32 oz	32,426	3.39	109,924

Source: These automotive figures, covering February-November 1985, were supplied by Allied Accessories and Auto Parts, Madison Heights, Mich. Allied services over 2,500 retail outlets throughout the United States, 98% of which are discount store auto departments.

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Job Rated™ Program

THE LOOK OF SUCCESS IN BRUSH AND ROLLER MERCHANDISING

QUALITY DECISION

Paintbrushes—Three distinctive qualities of Job Rated™ Best, Job Rated Better, and Economy. Each quality contains ingredients and formulations designed for performance to that quality. All synthetic brushes in this program are made of Excel-R,™ the first new filament in over a decade. Not only is it new, but the feel is superior to other products on the market. The extra length and fullness make all Excel-R paintbrushes superior performers.

Paint Rollers—Two qualities of paint rollers Job Rated Best with 7 SKUs, each for a specific surface, and one Economy SKU for latex flats.

THE BUYING DECISION

Each quality and end-use product line has different-colored packaging with vivid descriptions to quickly identify the quality of the product and the end painting use that it is designed to perform for the consumer.

The total concept of this program is to sell the customer up to Job Rated Best quality in paintbrushes and rollers. It is designed to provide your customers with ease of selection by quality and end use. It will enhance your turns, gross margin, and profit of the total paintbrush and roller program in all your store locations.

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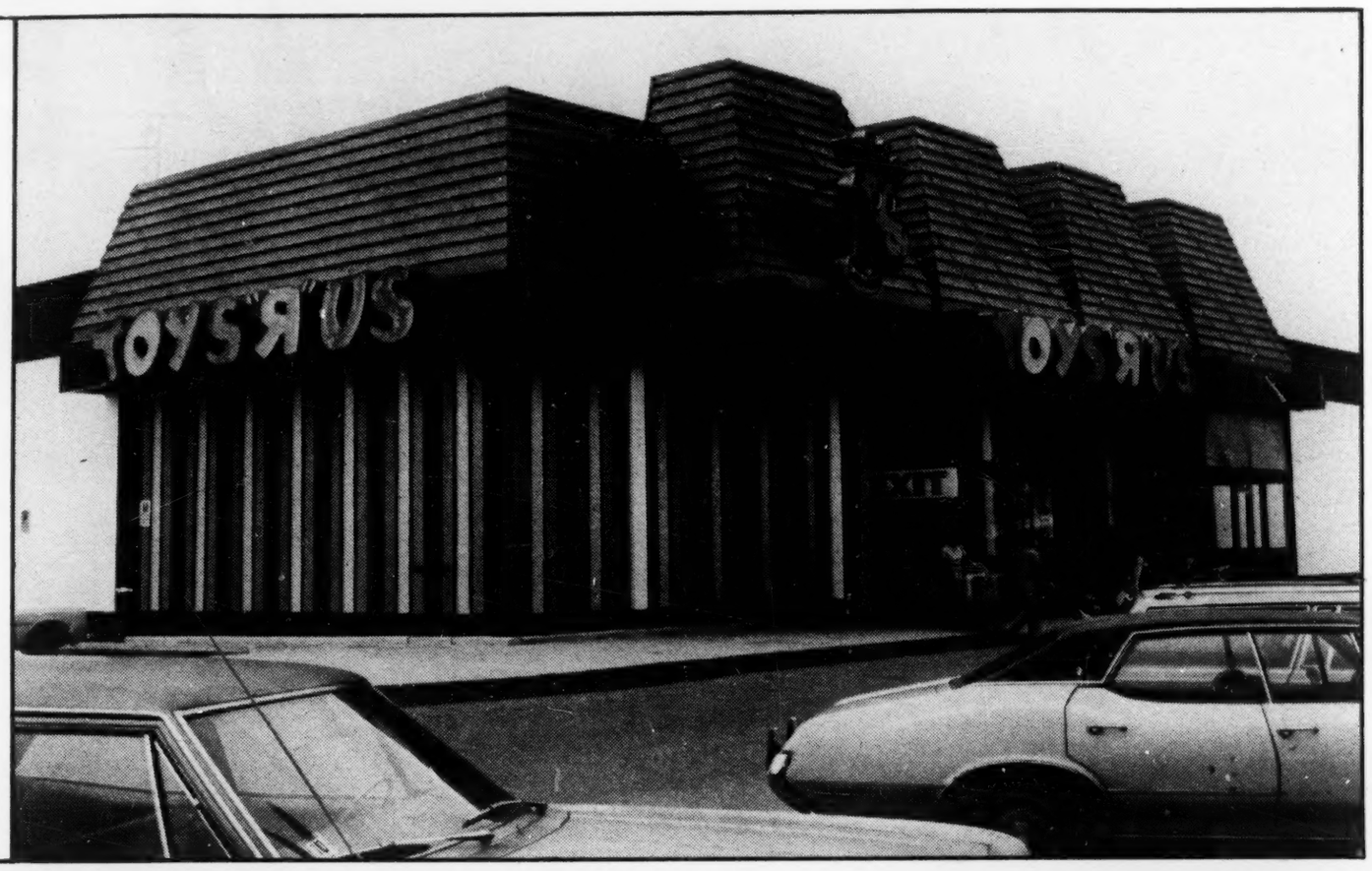
LICENSING

TOY CHAIN CENSUS

The 233-unit chain has been fine tuning its basic strategic plan to hit its goal of 25% market share by the year 2000.



At TRU, Change Is the Name of the Game

ROCHELLE PARK, N.J. — Complacency is not in the Toys "R" Us (TRU) vocabulary.

As the toy retailing giant crosses over the $2 billion sales transom, there are absolutely no signs of a let up. On the contrary, TRU is moving, full speed ahead, toward its once-thought lofty goals of over 25% market share (by the year 2000) and over $5 billion in sales (before the end of the decade).

The 233-unit toy merchant, however, has made several fine-tuning adjustments to its basic strategic plan in order to hit these targets. Sharpening its well-known everyday low prices, supporting it with stepped-up promotional activity and entering two new markets a year appear to be subtle changes for the chain. But they each represent a departure—from passive leader back to hungry fighter. As one industry analyst said, "TRU is proving that you can fix what isn't broken."

Tinkering with its often-copied everyday low pricing policy and supporting it with an uncharacteristic rush of promotional activity were two moves that would have seemed taboo a few years ago. But given last year's sluggish retail environment, TRU felt the time was right—to increase its already industry-leading 15% share of U.S. toy sales while reinforcing its recently tarnished reputation as the lowest price in town.

The chain is about to launch its own magazine—with puzzles, games, articles and ads—to be distributed in all its stores.

Other market factors helped force TRU's hand. There was a dearth of hot new product introductions and no replacements for faltering, high-ticket stars Cabbage Patch and Trivial Pursuit. In addition, home computer sales and related accessories, once 17% of TRU's total volume, slowed to a trickle of its former volume.

TRU's overall competition produced two separate pictures—toy specialty chain pressure and a void in the discount marketplace. Child World and Lionel, its primary toy supermarket rivals, both emerged from their own difficulties (Child World went public again; Lionel came out of Chapter 11) to become stronger retail threats.

On the other hand, department stores were abandoning the category and discounters, despite their talk of a year-round sales orientation,continued to gear up only for the fourth quarter barrage.

Although Christmas '85 results were unavailable at presstime, several industry analysts said TRU's price cutting combined with increased advertising in the fourth quarter helped the chain achieve its annual 30% sales increase, to approximately $2.2 billion, without slicing into its 30%-35% annual increase in net earnings.

TRU's price slashing and overall more promotional posture are expected to continue this year as the chain tries to regain its upper hand (as well as becoming image-honest) from discounters who have routinely undercut TRU's pricing.

The chain broke from its one-market-per-year expansion pattern by debuting last year in upstate New York and the Carolinas.

As for promotional activities, the chain is about to launch its very own magazine, to be distributed in all of its stores. The book will include games, puzzles and articles for children as well as ads from toy manufacturers.

With TRU continuing to adapt to the changing retail

(Continued on page 36)

Toy Specialists Battle for Swelling Market Share

(Continued from page 3)

two new markets—Cleveland, following Lionel's entry last year, and Montreal, the chain's second major excursion into Canada. In all, TRU will open 50 new toy stores this year and 20 new Kids "R" Us units, its off-price children's apparel offspring. In addition, TRU will continue its assault abroad with added units in England, Singapore and the Middle East.

TRU made its fine tuning adjustments for two primary reasons—to capitalize on an overall sluggish retail scene and to turn the heat back on its primary supermarket competition, Child World and Lionel.

Indeed, both Child World and Lionel have emerged from their own respective difficulties to give TRU a run for the supermarket money. Child World—after entering a revolving door of going public, then private and then public again—has crossed the half billion dollar sales plateau and will open 16 new stores this year, bringing its total to 136.

Lionel, finally shedding its Chapter 11 albatross, will also launch its first full wave of new stores this year. Although new markets were not disclosed at presstime, the chain will open 10 new stores in 1986. Last year, Lionel opened three units right before the Christmas rush.

But the toy action is expected to be fiercest at the mall level. Segment leader Kay Bee, nearing 600 units, will feel the Greenman Brother toy empire breathing down its neck this year. Although Kay Bee opened 50 stores last year and will open 50-60 stores this year, Greenman Brothers made a stronger impact.

With its most recent acquisition of 190-unit Circus World added to its stable of Playland (acquired in 1982) and Playworld, Greenman's toy retailing operation, now numbering 310 stores, will give Kay Bee its first real taste of nationwide mall competition.

Other regional mall toy operators, including K&K and Karl's Toys, will be making less ambitious forays into the marketplace this year. K&K, with 96 stores in 15 states, primarily in the Southeast, will open a "handful" of mall units while it continues its push into factory outlet malls. Avoiding the flow of its traditional competition, K&K's three factory outlets, ranging in size from 3,500 sq. ft. to 4,000 sq. ft., offer primarily closeout goods.

Kay Bee has also been experimenting with its own brand of outlet, Toy Works, so far, two stores in Connecticut. In addition to offering older, closeout merchandise, Toy Works also carries larger items like bicycles and infant furniture, items that cannot be merchandised in the typical Kay Bee unit. The future expansion of Toy Works is currently under consideration, according to the chain.

Indeed, ducking the competition might be the safest of all toy retailing routes. Mall stores typically avoid TRU and other toy supermarkets. Now outlet stores are eluding the mall competition.

Toys Plus, a 20-unit chain based in St. Charles, Mo., takes the evasion tactic one step further. Many of its 12,500-sq.-ft. units are located in small towns like Wichita Falls, Tex., and Monroe, La., where they're the only game in town. How long this strategy will work remains to be seen, given the overall, competitive toy retailing climate.

Cumulative Markup %

Categories	Discount Stores	Department Stores
Women's dresses	46.8%	51.2%
Women's coats & suits	47.7	51.3
Lingerie, robes & sleepwear	44.2	52.1
Men's wear	42.5	50.6
Girls' wear	45.3	51.4
Boys' wear	42.6	48.9
Infants' wear	37.2	49.9
Domestics	39.7	46.5
Housewares	37.4	44.1
Traffic appliances	28.5	26.0
Sight/sound appliances	24.8	30.6
Toys	32.8	40.0
Drugs & cosmetics	24.4	39.1
Stationery & greeting cards	42.9	45.3

Source: NMRI's 1984-85 Mass Retailers' Merchandising report; NMRA's 1985 MOR report.

Gap Narrows in '85 Results

(Continued from page 2)

robes and sleepwear, the gap fell to 9.4 percentage points from 13 percentage points.

Other apparel categories also showed narrowings of the spread. In men's wear, the difference showed a small drop to eight percentage points from 8.8 percentage points, while a similar slight dip occurred in boys' wear, down to five percentage points from 5.9 percentage points.

However, in girls' apparel, the gap sharply narrowed to 6.2 percentage points from 8.8 percentage points, while infants' wear closed to 14.2 percentage points from 15.3 percentage points.

Apparel specialty stores have been capturing a growing share of the clothing business and conventional department stores' response is to become more aggressive in their pricing. The result is that these retailers now often offer apparel, especially during sales, at prices that are right in line with the tags found in discount stores.

While conventional department stores' prices in the clothing areas are being impacted by greater markdowns and sharper ad prices, discounters have been going the opposite way; trading up and boosting their markup, so that their gross margins tend to be higher even after higher markdowns.

Similar trends to a narrowing of the merchandise performance gap was evident on the hard goods side, once the area where conventional department stores made little attempt to compete—on a price basis—with discounters.

Discounters have turned to hard goods for additional profits to offset the dollars lost in apparel due to increased competition in clothing.

In traffic appliances, conventional department stores' gross margin was actually under that of discounters. In toys, the gap went down to 5.5 percentage points from 8.8 percentage points.

In instances where the gross margin gap in a category widened, the increase tended to be small; in stationery and greeting cards, the spread went to 1.7 percentage points from 0.8 percentage points, while in housewares it went to 8.2 percentage points from 6.1 percentage points. In domestics, the differences went to 8.5 percentage points from 8.3 percentage points.

The comparisons between discounters and conventional department stores were for all firms that reported in the NMRI study and the listing for conventional department stores with sales over $100 million in the NRMA report.

K mart Plans In-Store Bank Expansion

(Continued from page 3)

First Nationwide Savings pays a minimum monthly rental plus an undisclosed percentage of its volume at each location.

K mart banks are averaging $17,000 per customer (primarily in certificates of deposit) said Hartman, or more than twice the national average of $7,000-$8,000 per bank customer according to the U.S. Savings and Loan League.

An interest rate ¼%-½% above the market rate is offered at the K mart branches of First Nationwide, according to Steve Johnson, director of Corporate Communications for the bank. Johnson said conducting business through K mart stores saves the bank money because it doesn't have to invest in building a conventional bank branch. The higher-interest rate is a way of passing on that saving, Johnson said.

All of the in-store banks are open at 10 a.m. and close at 7 p.m. three nights a week and 9 p.m. the other three nights.

Inside each branch is a counter for noncash transactions (all cash is given and received through the ATMs) and a sit-down area where the customer can talk about investments with a financial services representative.

In addition to the California in-store banks, K mart stores house three Standard Federal Banks in Texas, four First Federal of Michigan banks in Virginia and 29 Standard Federal banks in Florida.

First Nationwide Savings is the first nationwide banking network with 26 members in 22 states. K mart chose to work with this company to maintain continuity of product and performance.

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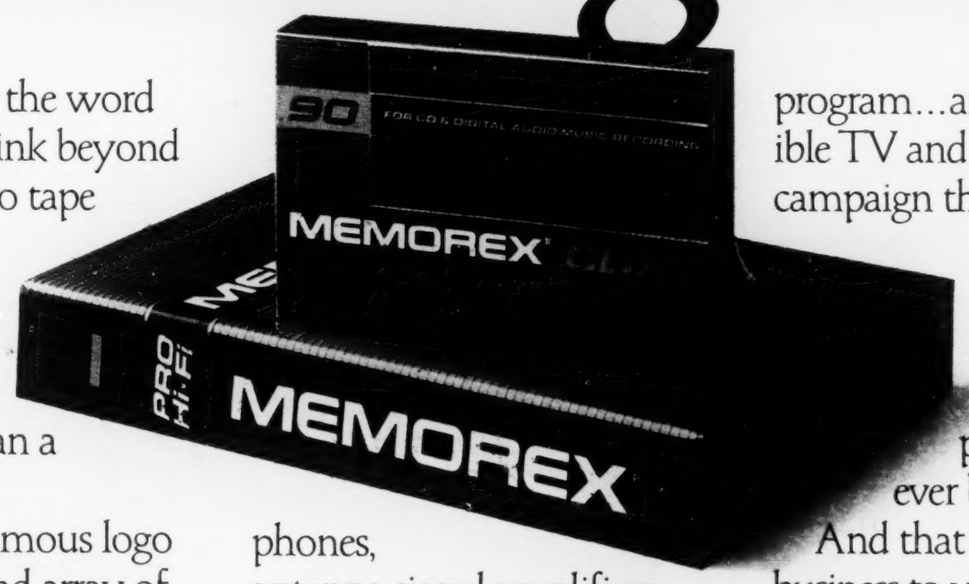

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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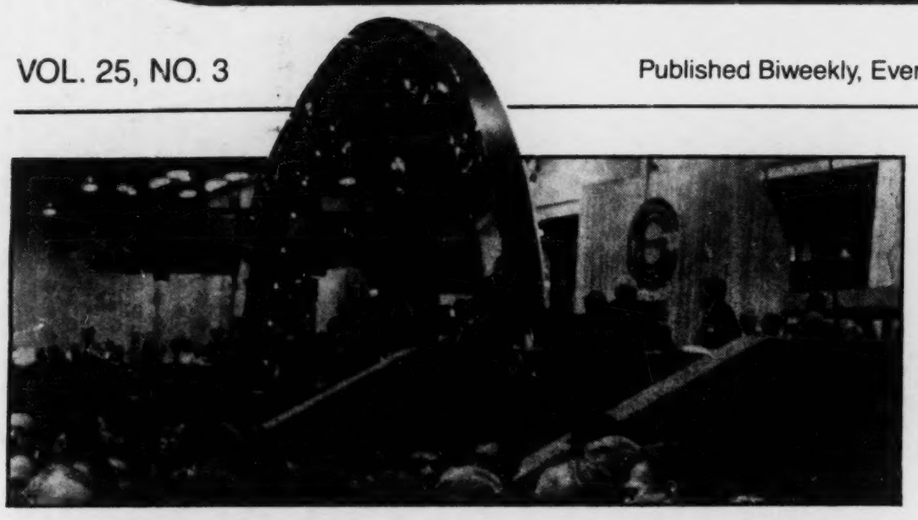


Chain buyers attending the recent Consumer Electronics Show in Las Vegas were searching for step-up pieces on last year's star items.

CES Holds No Surprises For Electronics Buyers

By LARRY CARLAT

LAS VEGAS, Nev. — Last month's Consumer Electronics Show tasted like day old bread.

Many major manufacturers chose to hold back new product introductions until this June, offering, instead, warmed-over product extensions of last year's standouts.

In addition, the usual bevy of backroom manufacturer presentations that preview future products to select major accounts, were also kept to a bare minimum, according to several chain buyers interviewed.

Variations on the same themes were the orders of the day in 8mm, camcorder, CD (particularly the broadside launch of portables), stereo TV, stereo and hi-fi VCR and A/V systems.

An injection of fashionable pastel colors for both audio and video products was also widespread, standing alone as the predominant marketing strategy seen at the show.

The overall lack of innovative marketing savvy disturbed many chain buyers who are wary that the CE gravy train, led by VCR's and CD's, is about to be derailed. Increased pricing, slackening demand, increased competition and an overall glutted market are major concerns for buyers this year and many don't see viable solutions coming from the manufacturer end.

(Continued on page 57)

Service Merchandise to Open Expanding CE Retail Areas

NASHVILLE — Faced with increased competition from specialists, Service Merchandise is both expanding and giving more visibility to its consumer electronics departments in several showrooms.

The program, which started late last year and has been included in seven locations to date, includes nearly doubling the size of the "Sight & Sound" department from 1,600 to 3,100 sq. ft., and installing three separate entrances into the section from other parts of the showroom. Normally, there is a single access point through which to enter and leave the area.

In addition to that program, at least three showrooms are slated to be fitted with consumer electronics "superstore" departments by late summer. Those areas would include expanded assortments in several key categories, including some lines that aren't seen in catalog showrooms.

The more modest expansion program is slated for at least seven more locations by the end of this year.

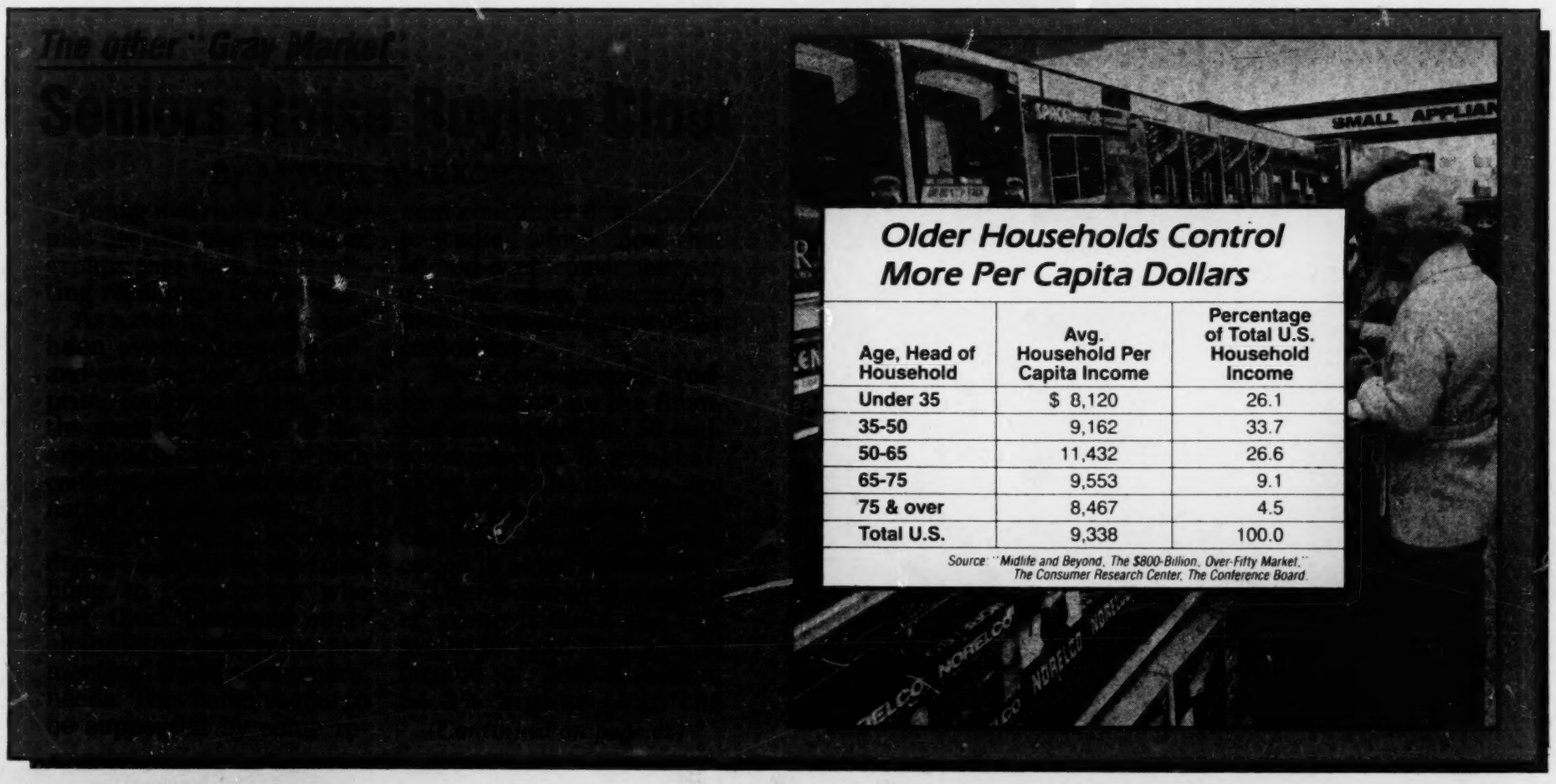
Frank Bisceglia, senior vp, merchandising, said the electronics expansion is the product both of specialty competition and the company's desire to promote to the consumer the "department that's growing at a faster rate than any other department."

Sources within the consumer electronics industry estimate that Service Merchandise had electronics sales of approximately $700 million in 1985, not including those generated in stores acquired from Ellman's and H. J. Wilson. For the year ended Dec. 29, 1984, the company had total sales of $1.66 billion.

One Service executive acknowledged that by emphasizing consumer electronics, Service would be promoting a category that is notoriously light on profitability. "However," he said, "you're dealing in a very large dollar base, and at a certain point it makes a lot of sense for profit dollars."

The additional acreage given to the electronics sections in the showrooms is being carved from warehouse space and is not causing any other department to be cut back,

(Continued on page 57)


The other "Gray Market"
Older Households Control More Per Capita Dollars
Age, Head of Household | Avg. Household Per Capita Income | Percentage of Total U.S. Household Income
Under 35 | $ 8,120 | 26.1
35-50 | 9,162 | 33.7
50-65 | 11,432 | 26.6
65-75 | 9,553 | 9.1
75 & over | 8,467 | 4.5
Total U.S. | 9,338 | 100.0
Source: "Midlife and Beyond, The $800-Billion, Over-Fifty Market," The Consumer Research Center, The Conference Board.

IN BRIEF

■ **ZAYRE CORP.** has promoted John Levy to the new post of senior executive vice president, merchandising, distribution and systems, of its Zayre Stores division. Succeeding Levy as senior vice president and general merchandise manager, merchandising, is Raymond Wysocki, who had been vice president and senior merchandise manager.

National Co-op Advertising Study— Page 27

Hayes, Smailes Head Federated Unit

WORTHINGTON, Ohio — Federated Department Stores' announcement last week that it will merge its Richway and Gold Circle divisions came sooner than the company wanted, driven by a leak to a daily newspaper. As a result, at presstime there was still uncertainty at both companies over the makeup of the combined division's merchandising and operations management.

The top tier of management, however, has been set. Peter Hayes, who has been chairman and ceo of Gold Circle for the past year, will hold the same positions for the new, larger entity which will be headquartered here. Jack Smailes, president of Richway, becomes vice chairman of the division, while Gold Circle president Robert B. Glass holds the same title in the new structure.

Richway stores will continue to operate under that name.

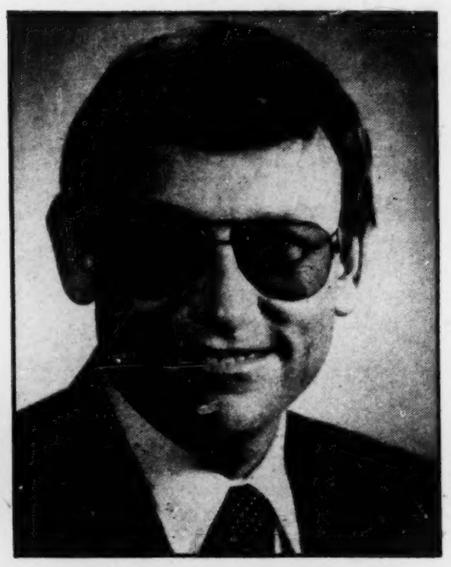
John H. Weitnauer, according to a company release, "will assist in the transition," and will have a "continuing role" with Federated.

The new, combined division will report to Norman Matthews, Federated vice chairman and former chairman of Gold Circle. The divisions had previously reported separately to Matthews.

The combination of Richway and Gold Circle, a move that had been foreseen by many industry observers, creates a 76-store entity with sales of over $1 billion. Gold Circle operates 45 stores in Ohio, Kentucky and upstate New York with sales of $628 million in the year ended January 1985. Last month it closed down five stores it had been operating in the Pittsburgh.

Richway has 31 stores in Georgia, Florida, North Carolina and Tennessee and had sales of $432 million in the fiscal year ended January 1985. The chain had slated five new store openings for 1986.

Russell A. Hansen



James E. Berk

2 Warehouse Clubs Appoint Top Execs

Nationwide DSN Report

Two leading membership warehouse clubs have appointed top executives, both with ties to the discount store field:

■ The Chicago-based Warehouse Club named Russell A. Hansen vice chairman and chief operating officer. Hansen, who most recently held the position of chairman of Cook United, also spent 35 years with K mart in a variety of positions, including director, and executive vice president, merchandising.

The appointment reunites Hansen with former K mart executive, Walter H. Teninga, the company's chairman and chief executive officer. Teninga had served several years ago as vice chairman and chief financial and development officer for K mart.

■ James E. Berk was named president and chief operating officer of the Indianapolis-based Wholesale Club, as well as director of that company's board of directors. He replaces Arthur L. Coller, who will remain on in a consulting capacity.

Berk, who most recently was senior vice president at Norwalk, Conn.-based Caldor, had also held positions with Otasco Inc., Western Auto Supply Co. and Midland International Electronics.

The Warehouse Club also announced the appointment of Douglas W. Harden to vice president, real estate, responsible for the company's real estate and construction. He was previously director of development for Hardee's Food Systems Inc., Rocky Mount, N.C.

Target to Start Programs To Pare Health Care Costs

NEW YORK — This summer, Target intends to initiate several new programs aimed at paring 1986 health care costs to the 1983 level of 2.6% of payroll.

The chain's plan includes a hospital utilization review program, which will force employees to be more responsible for holding down the cost of their own medical care, and the use of a new computerized payroll and personnel system, which will help the chain design benefits programs more tailored to its employees' needs, said Larry Gilpin, senior vp, personnel at Target.

Gilpin said the moves were part of ongoing efforts begun in 1982 to contain ever-rising medical costs. Results of past measures, like increasing plan deductibles and tightening controls on in-patient mental illness care and other high-cost expenses, are expected to become apparent only this year. Last year, Target's health care costs, as a percentage of payroll, came to 2.8%, and for 1984, to 2.7%.

Gilpin, who spoke along with several other Dayton Hudson Corp. executives at the National Retail Merchants Association's annual convention here last month, said the chain's contribution toward employees' medical coverage will total approximately $11 million this year.

Target, which currently offers employees three levels of coverage and the use of eight Health Maintenance Organizations (HMOs) throughout its market areas, will unveil the hospital utilization review program in July. (HMOs offer unlimited coverage for a fixed membership fee.)

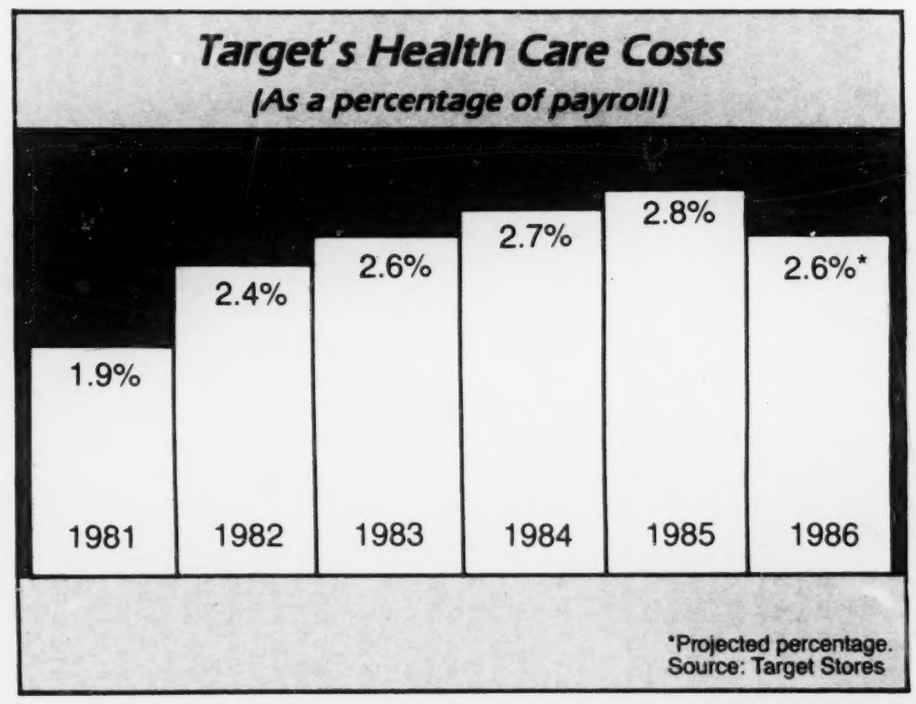
Gilpin said the program, through the aid of an outside agency, will entail a review of estimated hospital and physician charges before treatment and will require that employees seek second opinions on surgery and undergo preadmission testing on an outpatient basis. The agency will also challenge what appear to be unreasonably steep bills after treatment is completed.

Gilpin said Target is still considering making outpatient surgery a part of the program and is deciding what kind of reduced copayment penalty employees will be subject to for refusing to cooperate with these cost-saving alternatives.

Before the program begins, though, "we'll conduct employee focus groups at store locations to insure that our people understand why and how this program will work and what their responsibilities will be for keeping costs down," said Gilpin.

Also, he said, "as we look to the future, our ultimate goal is to offer employees more flexi-

(Continued on page 62)



Justice Brief Supports Parallel Imports

WASHINGTON — Justice Department officials have urged the Supreme Court not to disturb the long-standing policy of the U.S. Customs Service allowing discounters to "parallel import" foreign merchandise on the so-called "gray market."

In a brief opposing efforts by Vivitar to overturn the agency's pro-gray market regulations, Justice attorneys argued that those Customs Service rules represent "a reasonable interpretation" of the federal trademark law.

The Vivitar case—the first in a series of legal disputes over parallel imports to reach the high court—focuses on Customs' practice of refusing to exclude unauthorized imports of genuine foreign-made goods.

The controversy surrounds Customs' practice of refusing to protect U.S. subsidiaries of foreign firms from gray market imports.

Both the Court of International Trade and a federal appeals panel upheld the agency's regulations, and now the Japanese photographic equipment manufacturer is asking the Supreme Court to reverse.

A ruling in favor of Vivitar would effectively shut down key off-shore supply sources for the discount store industry and raise prices to American consumers by hundreds of millions of dollars annually, according to advocates.

Although Justice urged the court to ignore Vivitar's appeal, the department stopped short of expressing any vigorous support for gray market importing practices.

Instead, federal attorneys suggested that the Supreme Court wait for future cases to emerge testing the validity of Customs' parallel import regs.

At least two such cases (one involving Olympus cameras and another filed by the Coalition to Preserve the Integrity of American Trademarks) are currently on appeal and could reach the high court this year.

Chains Aim for Super Buys

The old discounter image of a $3.99 basketball is dead; higher ticket (over $20) items like these at Gemco, Rowland Heights are becoming the rule at chains nationwide. Sports' retailers will be playing ball with more manufacturers than ever, over 2,500, at the first annual Super Show in Atlanta this week. Show coverage starts on page 13.

Cataloger in Chapter 11

Boardman Shuts Unit, Gets Bank O.K.

ALBANY — Following its recent Chapter 11 filing, Boardman Ltd., the 13-unit cataloger based here, has reached a repayment agreement with Chemical Bank, its only secured creditor.

Chemical's refusal to renew the company's line of credit had driven Boardman to file for protection last month in New York's Northern District, according to attorney Peter Pastore of McNamee, Cochner, Titus & Williams, representing Boardman.

The company also is closing its Troy, N.Y., showroom, one of the 13 existing units. No other closings were planned at presstime.

The 20 largest creditors, which include General Electric, Casio Inc., Eureka Co., Black & Decker Housewares, Sunbeam and Panasonic, have been notified and are expected to form a creditors' committee by next month.

Part of the company's obligations to Chemical Bank is in the form of a $100,000 installment note that will be paid out over the next 10 years. Boardman will pay a monthly interest fee and $40,000 annually.

The company also owes the bank $61,600 on $70,000 credit for a computer system. The balance was due at the end of January 1986. That deadline has been extended until January 1987, and $5,133.33 toward the principal will be paid monthly.

Over a three-year period, all unsecured creditors will be repaid at a 70% dividend rate, Pastore anticipated.

The company reported sales of $18.6 million for the year ended July 31, 1985, with losses of approximately $676,000.

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Co-op Reigns Where Brands Are King

Discounters—and their suppliers—are using co-operative advertising to fuel sales of traffic-building brand name merchandise, particularly in hard lines. While vendors say the programs are clearcut, most major retailers say there's room to bargain.

Nationwide DSN *Report*

The pool of co-op advertising dollars has turned into a flood over the past decade-and-a-half, shooting from just $900 million in 1970 to $10 billion last year, estimates the National Association of Broadcasters.

For discounters, the importance of co-op depends on the merchandise category. It plays virtually no role in discounters' domestics promotions and only a small part in ads for apparel—mainly in branded staples like jeans and underwear, with some dollars available in other categories.

In hard lines, however, the co-op star shines brilliantly, with discounters—especially the major chains—using almost every cent offered by manufacturers in housewares, hardware, toys, sporting goods, auto and consumer electronics.

Though executives of both retail chains and manufacturers on the record play up compliance with published vendor programs, off the record they acknowledge that producers are ready and willing to tailor promotional allowances to specific retailers' needs, especially those of the tonnage volume merchants.

Manufacturers' flexibility on co-op programs follows two distinct patterns: Large companies with well-known brands tend to be sticklers, while smaller firms with lesser known logos are more amenable to retailers' requests.

At the same time, co-op flexibility is a hallmark of producers in highly competitive categories like consumer electronics, as manufacturers go all out to buy and maintain a share of those markets. In more mature categories like housewares and traffic appliances, the handful of manufacturers that dominate the business are under less pressure to stray from their programs.

The Co-op Pot Gets Bigger

Year	Available Vendor Co-op (billions)
1970	$ 0.9
1978	4.0
1980	6.0
1985	10.0

Source: National Association of Broadcasters

No matter how discounters obtain their co-op allowances, the industry is close to, if not using, 100% of the available money that contrasts sharply with all retailers 65% usage of funds generally cited in industry reports.

A brief overview of discounters' specific co-op activities shows the following:

- Net-net is the way of life in domestics, with discounters passing up the co-op programs that are available from the few manufacturers that make such allowances available. The need to be as sharply priced as possible in ads is the reason for the interest in net-net, the retailers said.
- Discounters are highly interested in apparel co-op al-

(Continued on page 40)

Consumer Electronics

NATIONAL CONSUMER & CO-OP ADVERTISING STUDY

Chains Move Toward Flexibility

$399
JVC 19" Color TV with Remote Control. 142 channel cable ready electronic tuner. On screen display shows volume, channel and sleep timer setting. Full function remote control. (C-2065) Reg. 449.95
$299
JVC 13" Color TV with Remote Control. 108 channel cable ready electronic tuner. Full function remote control. Multiple on screen digital display. Sleep timer for worry free shut-off. Tinted glass screen. (C1465) Reg. 329.95
Lenoxx
59.88 Lenoxx Portable AM/FM Stereo Cassette Player/Recorder. Detachable speakers. Records directly from radio or live with built-in microphones. AC/DC operation. (772) Reg. 69.95
JVC
$399 JVC Deluxe 4 Head VCR with Remote Control. Simple one button recording. All purpose digital counter. Clock, tape counter, elapsed
JVC T-120 Standard Videocassette Tape. Reg. 6.99 Now 5.88
AT&T
49.88 AT&T Trimline® Telephone. Wall or desk. Fully modular. Easy to install. Hearing aid compatable.

December Harts circular relies heavily on the kind of brand name identification predominant in consumer electronics. Many such ads are paid for from co-op.

(Continued from page 39)

In the past, according to several buyers, a co-op deal was an added element to entice retailers to pick up a new line.

For the most part, discounters and CE specialists do not add a number of new CE vendors every year, choosing, instead, to establish long term brand name continuity.

"I like to choose what I advertise. I'm not going to make a significant inventory investment in a product just because that company will give me co-op dollars. In fact, I'll get better deals from my continuity vendors because we'll do much larger numbers with our established names," noted one buyer.

Co-op Ads

(Continued from page 27)

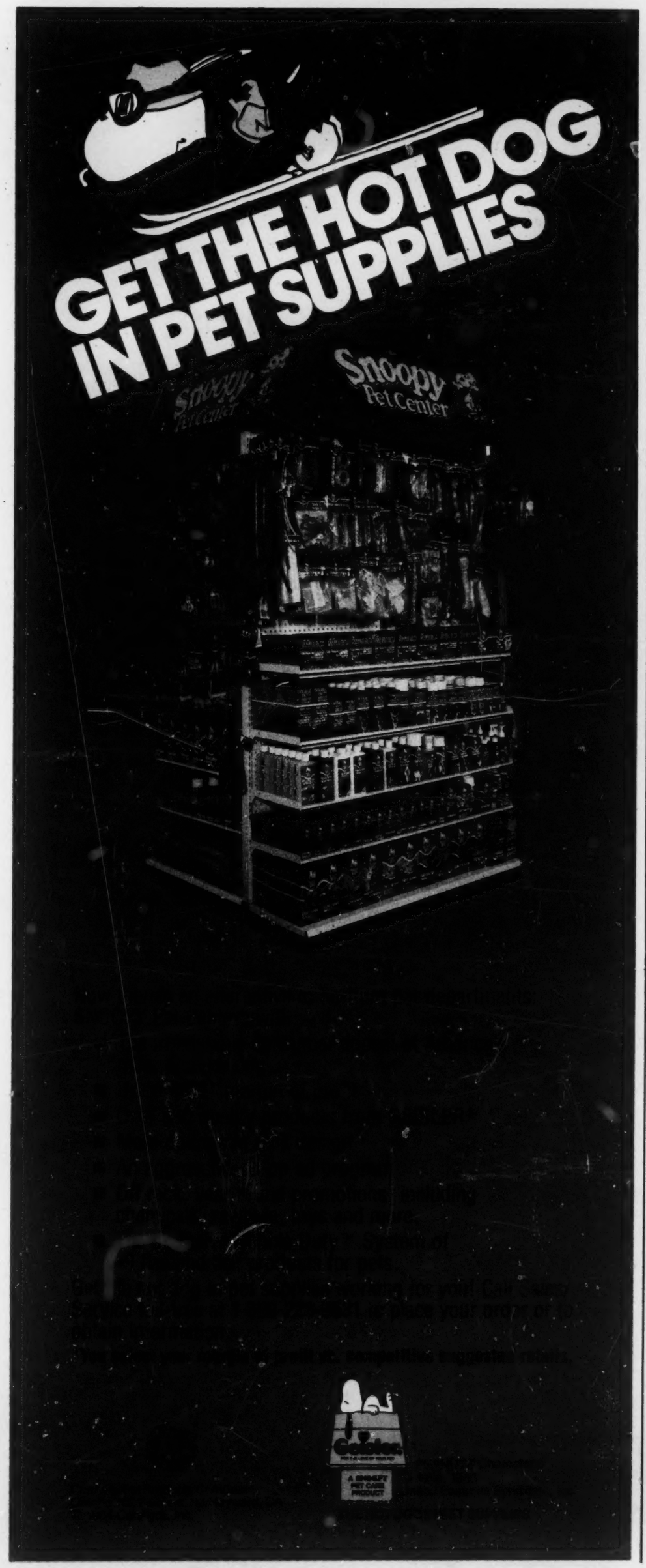
lowances; they use as much money as they can from the major vendors in branded staples. These are the only vendors to consistently offer programs. Promotional funds from smaller vendors have to be searched out.

- Consumer electronics manufacturers generally offer highly flexible programs specifically tailored to each chain so that discounters can allocate the dollars where they feel they need it most—for ads, net pricing or applied directly to the bottom line.

In housewares and hardware, two mature hard lines areas, manufacturers have stringent programs that discounters tap to the fullest. The result is that co-op advertising for these categories is the backbone of discounters' ad efforts, often allowing chains to, at the very least, break even on promotions, including those with limited co-op supported areas like domestics and apparel.

The low profit of advertised auto items—and the red ink for goods like motor oil—has forced discounters to seek out all available promotional money to recoup ad costs. This means chains use all the co-op dollars they can get while also tailing promotions to take advantage of manufacturer incentives: Those calling for specific merchandise to be featured at a specific period.

Discounters' extensive use of co-op dollars whenever available hasn't lessened chain interest in having manufacturers offer promotional allowances in as flexible a manner as possible. Deducting allowances from inventory and applying the funds for net pricing are among the goodies discounters want to sweeten co-op.



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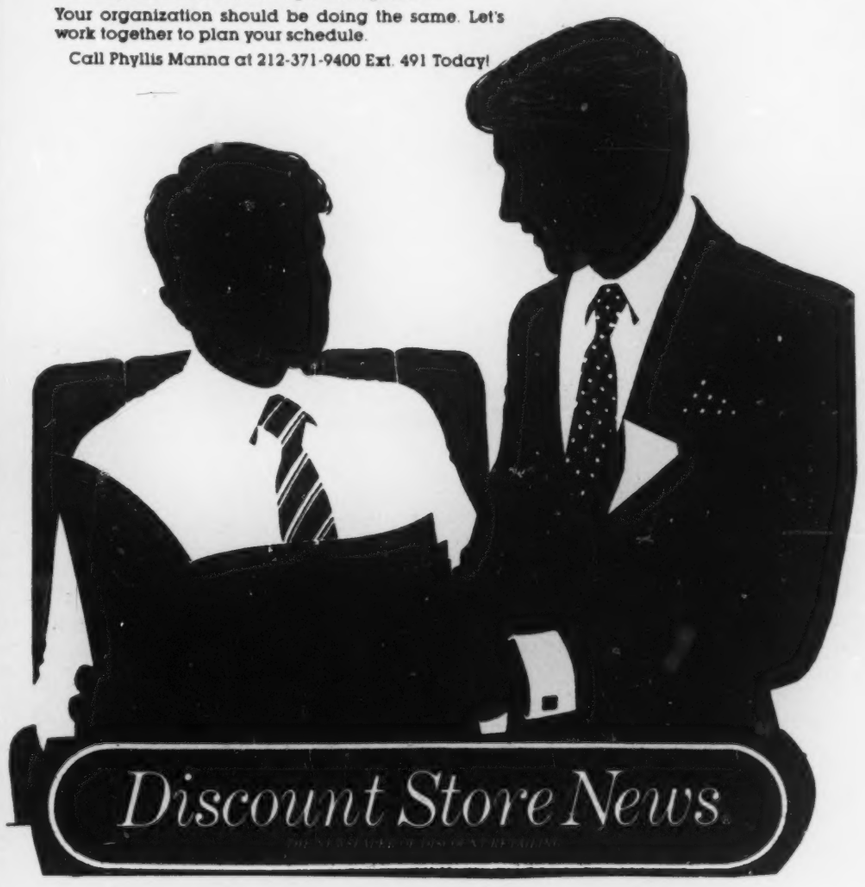

Discount Store News

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Call Phyllis Manna at 212-371-9400 Ext. 491

Heck's Opens 3 New Stores

NITRO, W. Va. — Heck's has opened three new stores, in New Boston, Ohio, Philippi, W. Va., and Rocky Mount, Va.

The 60,000-sq.-ft. New Boston unit is the second Heck's discount department store in Scioto County, just north of the Kentucky border.

The Philippi store, a 40,000-sq.-ft. unit, is the first in Barbour County and 43rd in the company headquarter's state.

With the Rocky Mount store in operation, there are now 17 Heck's in Virginia.

These three openings, together with the acquisition of 35-store Maloney Enterprises, brings the total number of stores in operation to 165.

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